

ATTACHMENT B

EXAMPLE FORMULAS FOR BALANCE SHEET ADJUSTMENTS

The formulas below provide examples of the balance sheet adjustment formulas used in the APA Program's CPM spreadsheet model.¹⁵ The formulas below are applicable to the operating margin profit level indicator. The APA Program's calculations measure balance sheet intensity by reference to the denominator of the profit level indicator (*e.g.*, for the Berry ratio, the denominator used is operating expenses). Therefore, the formulas vary for each profit level indicator.

Definitions of Variables:

AP	=	average accounts payable
AR	=	average trade accounts receivable, net of allowance for bad debt
cogs	=	cost of goods sold
INV	=	average inventory, stated on FIFO basis
opex	=	operating expenses (general, sales, administrative, and depreciation expenses)
PPE	=	property, plant, and equipment, net of accumulated depreciation
sales	=	net sales
h	=	average accounts payable or trade accounts receivable holding period, stated as a fraction of a year
i	=	interest rate
t	=	entity being tested
c	=	comparable

Equations:

Example Assuming Profit Level Indicator is Operating Margin:

Receivables Adjustment ("RA"):

$$RA = \{[(AR_t / sales_c) \times sales_c] - AR_c\} \times \{i/[1+(i \times h_c)]\}$$

Payables Adjustment ("PA"):

$$PA = \{[(AP_t / sales_c) \times sales_c] - AP_c\} \times \{i/[1+(i \times h_c)]\}$$

Inventory Adjustment ("IA"):

$$IA = \{[(INV_t / sales_c) \times sales_c] - INV_c\} \times i$$

PP&E Adjustment ("PPEA"):

$$PPEA = \{[(PPE_t / sales_c) \times sales_c] - PPE_c\} \times i$$

Then Adjust Comparables as Follows:

$$\text{adjusted sales}_c = \text{sales}_c + RA$$

$$\text{adjusted cogs}_c = \text{cogs}_c + PA - IA$$

$$\text{adjusted opex}_c = \text{opex}_c - PPEA$$

Deletions From Cumulative List of Organizations Contributions to Which are Deductible Under Section 170 of the Code

Announcement 2012-18

The Internal Revenue Service has revoked its determination that the organi-

zations listed below qualify as organizations described in sections 501(c)(3) and 170(c)(2) of the Internal Revenue Code of 1986.

Generally, the Service will not disallow deductions for contributions made to a listed organization on or before the date of announcement in the Internal Revenue Bulletin that an organization no longer qualifies. However, the Service is not precluded from disallowing a deduction for any contributions made after an or-

ganization ceases to qualify under section 170(c)(2) if the organization has not timely filed a suit for declaratory judgment under section 7428 and if the contributor (1) had knowledge of the revocation of the ruling or determination letter, (2) was aware that such revocation was imminent, or (3) was in part responsible for or was aware of the activities or omissions of the organization that brought about this revocation.

If on the other hand a suit for declaratory judgment has been timely filed, con-

¹⁵ Copies of the APA Program's CPM spreadsheet model are available from the APA Program by calling (202) 435-5220 (not a toll-free number) or by writing to the Office of Associate Chief Counsel (International), Advance Pricing Agreement Program, Attn: CC:INTL:APA, MA2-266, 1111 Constitution Ave. NW, Washington DC, 20224.

tributions from individuals and organizations described in section 170(c)(2) that are otherwise allowable will continue to be deductible. Protection under section 7428(c) would begin April 16, 2012, and would end on the date the court first determines that the organization is not described in section 170(c)(2) as more particularly set forth in section 7428(c)(1). For individual contributors, the maximum deduction protected is \$1,000, with a husband and wife treated as one contributor. This benefit is not extended to any individual, in

whole or in part, for the acts or omissions of the organization that were the basis for revocation.

The Center for Creative Resources, Inc.
San Francisco, CA

Chadwell Townsend Private Foundation
Bellbrook, OH

Consumer Advocacy Group, Inc.
Beverly Hills, CA

CreditGuard of America, Inc.
Boca Raton, FL

Friends of the Border Patrol
Chino, CA

Pro Israel, Inc.
Riverdale, NY